

The roles of customers in M&A integration

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Abstract

The purpose of this paper is to describe what roles customers play in merger and acquisition (M&A) integration. Based on studies of eight M&As, it is concluded that customers may (i) limit integration intentions, (ii) be reasons for pre-integration reconsiderations, (iii) be used as an argument against integration, (iv) not act according to integration intentions, and (v) actively work against integration. Customers' actual activities, but also how the M&A parties believe that customers will act, impacts the degree of integration.

The paper contributes to research on M&A integration through pointing at how customers impact integration realisation. The paper further contributes to research on M&As according to the network approach through highlighting how an M&A is not merely a response *or* trigger to change, but an embedded event where actions, beliefs and mutuality impact integration realisation.

Keywords: Merger, Acquisition, Integration, Customer relationship

Introduction

Literature on mergers and acquisitions (M&As) has traditionally focused on the M&A parties, while at large disregarding their relationships with other companies (for literature reviews, see e.g., Öberg and Grundström 2007; Anderson, Havila, Holtström and Öberg working paper). This is particularly evident in research on M&A integration; cultural clashes (Mayo and Hadaway 1994; Vaara 1999), employee anxiety (Risberg 1999; Slowinski, Rafii, Tao, Gollob, Sagal and Krishnamurthy 2002) and management turnover (Walsh 1989; Krug and Hegarty 1997; Choi 2001) stress a focus on the M&A parties or people within the M&A organisations.

Research according to the network approach has shown increased interest in M&As, where emphasis is placed on how M&As may be a trigger to change (Havila and Salmi 2000) or jeopardise business relationships (Anderson, Havila and Salmi 2001). Less frequently M&As are referred to as a response to change (see however Mattsson 2000; Öberg and Holtström 2006). M&As as triggers or response to change draws attention to M&As as action (trigger) or reaction (response) to change, while a network approach could expect that business partners *interact* rather than act and react. Adaptation (Håkansson and Östberg 1975; Hallén, Johanson and Seyed-Mohamed 1991) implies that companies act (or interact) to achieve continuity and development in relationships. But could this be the case also with M&As? Customers are important in M&A motives (Kelly, Cook and Spitzer 2003; Sevenius 2003), and whereas an M&A is an activity that is *not* made in interaction with customers, it may well be made with customers in mind. While earlier research on M&As according to the network approach has acknowledged M&As as triggers to or response to relational change, it has not discussed whether and how M&As are built on beliefs about business partners, and perhaps could M&As in their realisation be described as M&A parties and business partners acting together?

This paper describes M&A integration in the marketing dimension as an event where integration realisation is the result of beliefs, actions and mutuality of M&A parties and customers. The purpose of the paper is *to describe what roles customers play in M&A integration*. Findings are empirically derived from eight M&As. The paper bases its theoretical reasoning on M&A research and the network approach, where the following sections are outlined (i) M&A integration and its consequences, (ii) M&As and networks, (iii) methodology, (iv) description of the empirical data, (v) descriptions of customers' roles in M&A integration, and (vi) concluding discussion.

The paper contributes to research on M&A integration through pointing at how customers impact integration realisation. The paper further contributes to research on M&As according to the network approach through highlighting how an M&A is not merely a response *or* trigger to change, but an embedded event where actions, beliefs and mutuality impact integration realisation.

M&A integration and its consequences

M&A integration refers to the unification of companies in an M&A. Such a unification can be described as (i) what is integrated (company functions, cf. Andersson and Mattsson 2007), (ii) degrees of integration (Haspeslagh and Jemison 1991), and (iii) direction of integration (redeployment of resources from acquirer to acquired party, or reverse, see e.g., Bresman, Birkinshaw and Nobel 1999; Capron and Hülland 1999).

Research on integration focuses extensively on problems related to integration of companies; employee (Schweiger and Denisi 1991; Risberg 1999), managers and cultural issues (Calori, Lubatkin and Very 1994; Olie 1994; Very, Lubatkin and Calori 1996; Gertsen, Söderberg and Torp 1998). Management turnover (Walsh 1989; Krug and Hegarty 1997; Choi 2001) and distressed staff (Slowinski et al. 2002) seem to be inevitable, and integration brings cultural differences to the surface. At the same time as integration may cause distress among staff and lead to managers leaving the company, customers could be expected to react on integration – social ties may be broken off, products replaced, and integration may lead to staff losing customer focus. When redeployment of assets is discussed, this indirectly acknowledges external parties; brands and the like indicate an orientation towards external customers.

Most research on M&A integration however focuses on the M&A parties alone, where an acquirer-to-acquired party or an individual-within-company focus is taken.

M&As and networks

Network research according to the IMP (Industrial Marketing and Purchasing) tradition early acknowledged M&As as a mode to increase competitiveness (Hägg and Johanson 1982), but also acknowledged the difficulties of transferring assets (Johanson and Mattsson 1985);

But important intangible assets might not be transferred e.g., if key persons leave the firm. The transferability of market assets is an important issue in decisions about acquisitions, mergers and joint-ventures. Since the market assets are intangible and not owned by the firm, the transferability is probably often rather limited.

Johanson and Mattsson (1985p.191)

More recently, the interest for M&As related to networks has increased, where the focus has, for instance, been on how M&As may spread and affect other actors, and on the risk of jeopardising business relationships, but M&A research according to the network approach is still limited. To get a grasp on previous research, research papers presented at the yearly IMP Conference, and other papers published on the *IMP website* were analysed. Out of 966 papers with publication dates from 1994 to 2005¹, nineteen referred to mergers and/or acquisitions in titles or abstract. See Table 1 for details on papers.

¹ It should be noted that a bulk of available papers are from 2000 to 2005.

TABLE 1 M&As IN IMP PAPERS – RESULTS OF REVIEW

| Paper/Article | Method | Focus | Type of actors |
|---|---|---|---|
| Anderson, Andersson, Havila and Salmi (2000) | Theoretical | Effects of M&As in business networks. | M&A parties and connected actors. |
| Anderson, Andersson, Salmi, Halinen-Kaila, Havila, Holtström and Vaara (2003) | Five case studies (based on book manuscript) | Managerial challenges of effects on connected actors. | M&A parties and connected actors. |
| Anderson, Havila and Holtström (2003) | Theoretical (literature review) | The absence of customers and suppliers in M&A literature. | Customers and suppliers. |
| Anderson, Havila and Salmi (2001) | Single case study; Graphic industry | Effects on relationships. | Customers and suppliers. |
| Anderson, Holtström and Öberg (2003) | 450 competition authority decisions | Whether business relationships are considered. | Customers, suppliers and competitors. |
| Barrett and Fletcher (2000) ² | Single case study (James N. Kirby) | Internationalisation; network to explain internationalisation. M&As part of internationalisation. | Acquirer and network. |
| Dahlin, Havila and Thilenius (2003) | Statistics on companies in the IT-sector | Dissolutions as result of changes (including M&As and bankruptcies) in the IT-sector. | Acquiring/acquired parties and customers. |
| Dembrower, Hertz and Mattsson (2004) | Interviews and secondary data on 24 airline operators | Acquisition as part of the development among airline operators (acquisitions as means to grow). | Acquiring and acquired parties. |
| Fletcher and Barrett (2001) | Single case study (James N. Kirby) | Internationalisation; network embeddedness of acquired party to explain the acquisition. | Acquired and network. |
| Havila and Salmi (2000) | Single case study; Graphic industry | M&As as trigger to radical network changes. | M&A and network parties. |
| Hingley and Hollingsworth (2003) | Research proposal | Competitiveness in UK food industry; M&A as part of development. | Supplier and retailer relationships. |
| Johnston, Mosli and Mosly (2002) ³ | Three cases | Marketing strategies of M&A parties and in alliances. | M&A parties. |
| Jørgensen (2003) | Survey | Dissolution, where M&As are one reason for dissolutions. | Network parties. |
| Mattsson (2000) | Theoretical | International merger waves; reasons and consequences. | M&A parties. |
| Mattsson (2002) | Conceptual | Globalisation, whereof M&As is one means. | (M&A parties). |
| Rundh (2003) | Case study | Changes in paper industry, whereof M&As is one change; these changes as contextually driven. | (M&A parties). |
| Tunisini and Bocconcelli (2005) | 12 cases | Integration and performance. | Customers and suppliers. |
| Öberg, Grundström and Jönsson (2005) | Single case study (innovative firm) | M&A effects on customer access of innovative firm. | Acquired and customers. |
| Öberg and Holtström (2005) | Six case studies | M&As among suppliers and reason for customer M&As, and reverse. | Customers and suppliers as M&A parties. |

The empirical research proves to be concentrated to a few cases (dominated by the Graphic industry case presented in Anderson, Havila and Salmi (2001), for instance, and the James N. Kirby case in Barrett and Fletcher (2000), and Fletcher and Barrett (2001). The research seems to extensively be focused on conceptualisation and marking the field as an un-researched area. Worth noting is that some studies (Johnston et al. 2002; Dembrower et al. 2004) take a more ‘traditional’ turn on M&As, referring them to part of a development scheme in specific industries, or focusing on the M&A parties alone. The studies on business relationships connected to M&As commonly do not explicitly focus on *customers* related to M&As, but refers to business partners in general terms, or includes both customers and suppliers.

Those papers dealing with external business partners commonly refer to how M&A may affect business partners or business relationships, that is, M&As are referred to as a *trigger* to change. The effect customers’ and suppliers’ activities may have on the M&A parties is delimited to how their reactions may potentially affect relationships and thereby outcome. Some papers dealing with internationalisation refer

² Only abstract available.

³ Only abstract available

to M&As as *contextually driven* or describes M&As as part of an industry's development (e.g., Barrett and Fletcher 2000; Mattsson 2000; Fletcher and Barrett 2001; Rundh 2003).

Through referring to M&As as a trigger to change, the M&A becomes a stimulus, and whereas reactions are anticipated, business partners are not considered to affect M&A parties' choices. When M&As are the result of other M&As (Öberg and Holtström 2006) or of internationalisation activities (Mattsson 2000; Rundh 2003), it is the *actions* of others that drives the M&As, not beliefs or mutuality.

Methodology

This paper is based on empirical data from eight M&As. The M&As are part of a research project focusing on customers related to M&As (Öberg 2008), where integration proved to be an important topic.

Cases were party chosen as they related to each other; the cases represent three groups of M&As as regards actors; acquisitions involving BT Industries, acquisitions involving Momentum Doc (previously Structurit) and M&As involving Verimation. Interviews for the research project were conducted with representatives of the acquiring and/or acquired parties and customers of these companies. In total 63 interviews were conducted, whereof 51 were personal interviews and 12 were telephone interviews. 27 of the interviews were performed with representatives of the acquiring or acquired parties, while the remaining 36 interviews were conducted with customer company representatives or other companies connected to these parties. Table 2 summarises M&A parties and customers interviewed for the case studies.

TABLE 2 COMPANIES INTERVIEWED FOR CASE STUDIES

| Case (acquirer – acquired party) | Customers |
|-----------------------------------|---|
| BT – Raymond | Beslag & Metall, Comau, DFDS Transport, DHL, FläktWoods, Saab, Servera, Volvo Group |
| BT – Cesab | |
| Toyota – BT | |
| Momentum – Structurit | Fakturatjänst, HSB, Kopparstaden, Saab, Scania, Örebrostäder |
| BasWare – Momentum Doc | |
| ADB Gruppen Mandator – Verimation | Ericsson, IKEA, InfoData |
| NetSys – Verimation | |
| Nexus – Verimation | |

Interviews were informal with non-standardised questions (Starrin and Renck 1996; Saunders, Lewis and Thornhill 2007). They were transcribed and analysed, where efforts were placed on categorising findings. Based on initial analyses it was apparent that there were deviations between M&A parties' intents with the M&As and realised integration. It was also apparent that whereas M&A parties may have considered customers in their integration attempts, it was not certain that customers acted accordingly. Findings presented in this paper are empirically generated.

Integration in eight M&As

This section describes the eight M&As, how companies were integrated in them and integration compared to motives. The eight M&As are:

- **BT Industries' acquisition of Raymond.** The acquirer and the acquired party manufactured warehouse trucks, but had different geographical foci; BT was the third largest manufacturer of warehouse trucks in Europe, while Raymond was the market leader in the US. The acquisition was a consequence of BT' customers establishing themselves abroad and BT wanting to become a strong international actor to match customers' development. As Raymond was placed with a company raid, BT grasped to opportunity and acquired Raymond. Although the aim was to create a strong actor, BT and Raymond was never integrated and few international deals

including Raymond were made. Raymond wanted to remain independent and actively abandoned integration attempts. Differences in customers' preferences were referred to as a reason for not integrating the companies.

- **BT Industries' acquisition of Cesab.** A trend in the truck industry meant that many truck manufacturers provided their customers with warehouse trucks *and* counterbalanced trucks. BT sold counterbalanced trucks on some markets, but its main focus was warehouse trucks. BT experienced that the company lost deals as the company could not provide counterbalanced trucks and the company turned to various counterbalanced truck suppliers asking them to start manufacturing BT-branded counterbalanced trucks. BT was however turned down, and acquiring Cesab became a solution. Following the acquisition, Cesab started delivering counterbalanced trucks to BT, but customers remained somewhat hesitant towards the Cesab trucks. BT and Cesab also continued to sell their products through separate sales channels.
- **Toyota Industries acquisition of BT.** BT had provided Toyota with Toyota-branded warehouse trucks for some years when it became evident that BT's main owner wanted to divest its shares in BT. Toyota wanted to become a world market leader on trucks, and acquired BT. BT thought that Toyota would start provide counterbalanced trucks to BT, but this was not realised. The market leadership could imply that the companies would be integrated, but Toyota and BT continued as before the acquisition, resulting in a 'two brands, two channels' market setup.
- **Momentum's acquisition of Structurit.** Structurit was a small company which had developed a system for electronic invoice processing. Many of its early customers were in the real estate sector, but the company had problems expanding. Therefore, Structurit was acquired by Momentum. Momentum was an IT-company dealing with real estate systems and there were several overlaps in customers. Momentum's intentions were to cross-sell products, where main attentions would be directed towards selling Structurit's product to Momentum's customers. Sales channels were kept following the acquisition, but the companies opened up for selling – or recommending – the other party's products. This mainly resulted in Momentum's customers buying Structurit's product, but it was also questioned whether these sales would not have been reached without Momentum's ownership.
- **BasWare's acquisition of Momentum Doc.** Following Momentum's acquisition of Structurit, Structurit was renamed Momentum Doc. As Momentum continued to acquire companies, the group ran into financial problems and Momentum Doc was liquidated. BasWare was the market leader on electronic invoice processing in Finland and had established itself in several countries, including Sweden. Momentum Doc and BasWare competed for the same customers and Momentum Doc was the market leader in Sweden before the company was liquidated. To build a strong actor, attain customers BasWare and Momentum Doc had competed for and avoid that someone else would acquire Momentum Doc, BasWare acquired the assets of Momentum Doc. Following the acquisition BasWare decided to replace Momentum Doc's product. Customers re-evaluated their supplier and some dissolved their relationships with Momentum Doc/BasWare.
- **ADB Gruppen Mandator's acquisition of Verimation.** Verimation was a forerunner on e-mail solutions and during the company's existence the company had managed to establish customer relationships with a majority of the largest Nordic companies, and had also established itself outside the Nordic countries. ADB Gruppen Mandator worked with IT-consultancy and saw the opportunity to sell consultancy services to Verimation's customers and acquired Verimation. Following the acquisition, Verimation and ADB Gruppen continued as independent companies and no cross-selling of consultancy was realised.
- **NetSys' acquisition of (and merger with) Verimation.** NetSys was a general agent for a Canadian product on the Nordic markets. The company however had ambitions to grow to a

strong actor worldwide, and Verimation's customer base was a means to reach additional customers. Aims were to replace Verimation's product with NetSys' product. The attempted product replacement failed; customers objected such a replacement and Verimation came to create a sub-unit within NetSys.

- **Nexus' acquisition of Verimation.** NetSys' methods did not work out and NetSys (including Verimation) was declared bankrupt. The customer base of previous Verimation was of interest for Nexus, an IT-company specialised in security solutions, and Nexus acquired the assets of previous Verimation. Selling Nexus' products to Verimation's customers and possibly integrating ideas into Verimation's product were Nexus' intentions with the acquisition. Following the acquisition no such cross-selling or product integration was accomplished.

The descriptions of the acquisitions above give some indications on motives, intended and realised integration towards customers. These are also summarised in Table 3.

TABLE 3 MOTIVES, INTENDED AND REALISED INTEGRATION

| M&A (Acquirer/Acquired party) | Motives | Intended integration | Realised integration | Comments |
|-------------------------------|--|--|---|--|
| BT Industries/Raymond | Globalisation among customers. Strong world-market actor. Synergies in production and development. | Non-integration. | Non-integration. | Lower degree of integration than initially intended. |
| BT Industries/Cesab | Customers preferring one-stop-shopping. | Cross-selling; sales channels were kept, products were sold via both sales channels. | Primary Cesab produced trucks were sold via BT Industries' sales organisation. | Integration in conjunction with motives. |
| Toyota/BT Industries | Creating a world market leader. (One-stop-shopping.) | Cross-selling; two brands, two channels; sales channels were kept, products were sold via both sales channels. | On some markets, BT Industries sold Toyota trucks, but primarily Toyota sold BT Industries' trucks (branded Toyota) via its sales channels. | World market leadership could be interpreted as aiming at creating a single strong actor; synergies were however not in focus. |
| Momentum/Structurit | Structurit's product of interest for Momentum's customers. | Cross-selling; sales channels were kept, products were sold via both sales channels. | Primarily Structurit's product was sold by Momentum's sales organisation, not the other way around. A high degree of autonomy was kept in sales. | Integration in conjunction with motives. |
| BasWare/Momentum Doc | Customer base; reduce competition. Strong position in Sweden. | Replacing product, sales people were kept. | Momentum Doc's product was replaced with BasWare's. Sales people were kept, but all represented BasWare. Loss of customers following integration. | Integration in conjunction with motives. |
| ADB Gruppen/Verimation | Verimation's customer base (notion: they would benefit from cross-selling). | Cross-selling intended; sales channels were kept. | Non-integration. A high degree of autonomy in sales organisation, and product; less focus on product development of Verimation's product. | Cross-selling was not realised; Verimation was divested. |
| NetSys/Verimation | Verimation's customer base (notion: they needed to upgrade). Strong actor. | Replacing product, sales organisations were kept. | Verimation became a sub-unit within NetSys and the product was never replaced. | Due to acts of Verimation and customers, Verimation's product was not replaced. |
| Nexus/Verimation | Verimation's customer base (notion: they would benefit from cross-selling). | Cross selling intended, sales channels were kept./ | Non-integration. Products and sales organisations were kept. | Cross-selling was never realised. |

As can be read from Table 3, integration was either in conjunction with motives, but more commonly deviated from motives. Since there was often a time span between the announcement of the M&A and

integration, there were instances where integration *intentions* deviated from motives, but also from integration *realisation*.

Customers and integration realisation

Based on empirical findings, integration may thus be in compliance with motives, or deviate from motives. Integration may further deviate between integration intentions and realised integration. Integration towards customers would be impacted by beliefs about customers, reactions from customers and realisation may not reach its goals as a result of customers not acting accordingly.

Based on empirical findings from the eight M&As, customers proved to play several roles for integration and from the data five categories of customers' roles in integration were generated;

- (i) customers limiting integration intents,
- (ii) pre-integration reconsiderations,
- (iii) independence being argued through customers,
- (iv) customers not acting according to integration intentions, and
- (v) customers actively working against integration.

Figure 1 relates these to motives, integration intentions and integration realisation. The five categories are described and exemplified below.

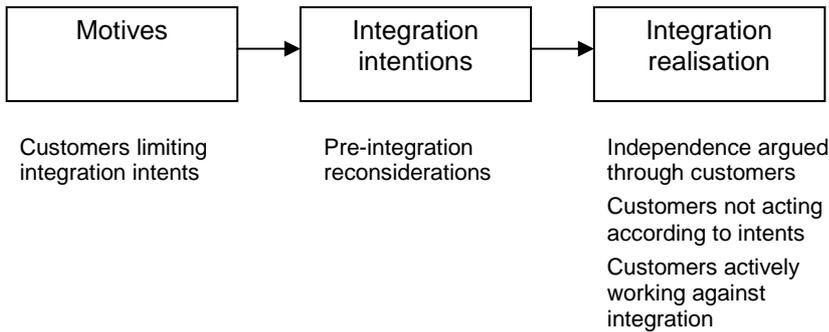


Figure 1: Customers' roles in integration related to motives, integration intentions and integration realisation.

It should be noted that the five categories are not excluding, integration in a single M&A may be the results of more than one category.

Customers limiting integration intents

All studied M&As showed that integration was delimited in at least one dimension. Non-integration meant that the M&A parties did not initiate any relational change. Cross-selling that brands, products and sales channels remained, while these were complemented with additional products and/or relationships. To exemplify, in BT's acquisition of Cesab, Cesab trucks were sold via BT, at the same time as Cesab continued to sell Cesab trucks. Sales channels and staff were kept as before the acquisition.

Also in cases of product replacement, these drove strongly on ideas about keeping person-to-person relationships. While replacing Momentum Doc's product with BasWare's, BasWare did not intend to the replace the sales staff of Momentum Doc, and NetSys equally kept the sales staff of Verimation.

Pre-integration reconsiderations

In cases where integration *intents* deviated from motives, customers played a role in the change of direction. This could be seen as a specific case of customers limiting integration intents, where the specificity lies in that the M&A parties reconsidered its initial view on customers. Furthermore, in those cases where this applied, there was a time laps between the acquisition point and integration. This means that customers through their initial (re)acting or through customer activities not specifically relating to the M&A may have impacted these reconsiderations.

To exemplify, in BT's acquisition of Raymond motives concerned meeting a globalisation trend among customers and creating a strong world-wide actor on warehouse trucks. Such motives could mean integrating to become *one* actor to meet customers on various geographical markets. This was however not what happened, instead BT Industries and Raymond remained two separate companies. Whereas some limited integration projects were started, but never fulfilled, and whereas procurement projects were pursued to reach cost synergies, the companies never attempted to integrate in the interface towards customers. The companies explained this by referring to differences in customer preferences between the companies respective markets (Lindstrand 1997);

American products are large, heavy, clumsy, with a rather low technical level.

Jan Munde, BT Europe

Also in Toyota's acquisition of BT Industries, motives indicated the creation of a single actor, but this was not what happened. Instead, the companies continued to act as separate companies, while at the same time BT provided Toyota branded warehouse trucks to Toyota, and on some geographical markets sold Toyota counterbalanced trucks. A 'two brands, two channels' strategy applied, and closer integration was not introduced.

Independence being argued through customers

Acquired parties fought for their independence in some of the M&As. This was either driven by a wish to remain an independent party or a result of the acquirer mistreating the acquired party, its customers or the combined company in the eyes of the acquired party. In aim to remain independent customers may be used as an argument; either through referring to that the acquirer's and the acquired party's customers were different in their preferences, or through pointing at that the acquirer's intentions would harm the acquired party's customer relationships. These arguments were either pro-active leading to that the integration scheme was not put into practise, or re-active as the acquired party did not act according to the acquirer's intents.

To exemplify, NetSys' merger with Verimation showed that the acquired party alienated from the acquirer, which disabled integration. In the case, Verimation staff allied with customers and created a sub-unit within NetSys. Such alienation and alliancing also occurred when Momentum faced liquidation, where Momentum Doc staff realised that Momentum Doc's value was found in its customer relationships. Following BT's acquisition of Raymond, Raymond as the acquired party fought for its independence. This became evident during development projects that were started but not completed, and also in how Raymond showed low interest in actively participate in international deals. Explanations for keeping BT and Raymond as separate companies referred to differences in customers' preferences, but such an explanation was well in line with Raymond's wish to remain independent.

Customers not acting according to integration intentions

When integration was not realised – at all or in part – based on customers not acting accordingly, this meant that integration intentions were not fully accomplished. This was seen when customers did not start buying products its supplier had added to its portfolio, did not connect to the other party, or chose to not buy a product that replaced the customer's initial choice.

Whereas BT/Cesab, Momentum/Structurit and BasWare/Momentum Doc managed to pursue integration in line with motives, motives were not fully reached. BT did manage to sell BT branded Cesab trucks to its customers, but some customers remained sceptical towards Cesab and instead tried to reach other trucks. Customers did not start buying Cesab trucks although these were branded BT and offered via BT's sales channels;

Cesab was never an option, the little that we saw of it. ... It looked plastic, did not look like a truck.

Lars Svedlund, DHL Express

Equally following Momentum's acquisition of Structurit, cross-selling was only accomplished at more limited levels than what was initially implied;

I cannot say that it meant any major changes. We were not that good at grasping the opportunity as we became a sovereign business unit in Momentum. We continued as we had planned for before. It was not only real estate companies, we also delivered to other sectors. So one cannot claim that the real estate companies we sold to after becoming part of Momentum would not have been there otherwise. It was HSB and such. ... And there was no cross-selling in the other direction either. ... We worked in different business areas and ours was invoice processing. There were no overall strategies or co-ordination.

Mats Norbäck, Structurit

Those acquisitions causing the strongest reactions among customers were those where products were to be replaced. This happened following BasWare's acquisition of Momentum Doc, and following NetSys' merger with Verimation. In the former, BasWare's product was a competing product to Momentum Doc's, in the case of NetSys, the two products did not fulfil the same needs. However, despite that the product replacing Momentum Doc's encompassed the same needs as Momentum Doc's, both these M&As resulted in customers re-evaluating their suppliers. To exemplify, Fakturatjänst, HSB, Kopparstaden and Saab saw BasWare's product as a new offer, and turned to various suppliers to compare products;

It was not at all certain that BasWare acquired market. They replaced the system and they paid for the customer base, but they could have lost HSB.

Lars Arktedius, HSB

Initially we thought, and attained the information, that they would continue with StairWay, use it and develop it. Then we got information that they would transfer the customers to BasWare's own system and discontinue with StairWay. And we realised that we should check the market for options.

Pär Nyberg, Kopparstaden

We looked at some alternatives, whereof one was a local company from Linköping, a small company that had entered the market, and one German company that had a product which was integrated with SAP. ... Those were our main options apart from upgrading. In addition we looked at some other options as well.

Lars Gullqvist, Saab

Whereas for instance HSB and Saab decided to shift to BasWare's products, other customers turned elsewhere. Calculations made by Momentum Doc indicate that sixty percent of customers did shift to BasWare, twenty replaced StairWay with an external party's product, and at the time of the interviews, twenty percent had not yet decided.

In NetSys' merger with Verimation, the consequences in terms of dissolved relationships were even more severe. At a rough estimate, sixty to seventy percent of Verimation's customers dissolved their

previous relationship with Verimation from the introduction on the stock exchange to during NetSys' ownership. Volvo was one of those leaving;

Volvo changes e-mail system for 60.000 users and plans to earn money on helping others to replace Memo with Microsoft. This is a slap in the face for Memo's owner – the Mölndal company NetSys. First Memo was abandoned by Ericsson, and now also by Volvo, the company that made Memo important in the world. Above all, Volvo participates in a project to quickly kill its old darling. In an alliance with the IT-consultant Guide and Microsoft. ... Volvo has evaluated NetSys' products but the Mölndal company was never a serious challenger for the million contract valid for both companies in AB Volvo and Volvo Cars.

Genborg (1999)

Customers actively working against integration

In some instances, the customer chose to actively work against the integration; through questioning it, or through allying with the acquired party in keeping the acquired party independent.

To exemplify, following BasWare's acquisition of Momentum Doc, Kopparstaden approached Momentum Doc questioning the replacement of products;

We contacted Mats Norbäck, and as I remember it, we said that we thought it was the wrong decision to discontinue with StairWay. We were informed that the decision was already taken, and he tried to sell BasWare to us instead.

Pär Nyberg, Kopparstaden

The NetSys merger was perhaps the M&A that led to the strongest reactions among customers. Some customers openly refused further contact with the acquirer, NetSys, and allied with the acquired party. IKEA as customer to Verimation turned to its contact persons at Verimation saying that they did not want to be contacted by NetSys' staff, only by Verimation's.

We had a close relationship with IKEA and had had for years. So one day when I came to them after we had been merged with NetSys for a while I was told that: "You have to make sure that we do not get any visits from anyone from NetSys. You are greatly welcome, but none of them. We do not want them here." And that is not funny after having had a customer relationship with IKEA since 1985.

Peter Johansson, Verimation

The customer consequently requested the M&A parties to act in ways not intended in integration.

Customers affecting integration realisation – in sum

To summarise, based on the case studies five categories on customers' roles in integration can be found. These are summarised in Table 4.

TABLE 4 CUSTOMERS AND INTEGRATION REALISATION

| Customers and integration realisation | Explanation and examples |
|--|--|
| Customers limiting integration intents | Ideas about customers limit M&A parties integration strategies (e.g., through keeping brands or sales channels). |
| Pre-integration reconsiderations | M&A parties not putting integration according to motives into practice as these would challenge existing relationships. |
| Independence being argued through customers | Acquired party allies with customers or point at customer differences to argue non-integration. |
| Customers not acting according to integration intentions | Customers not seeing the benefit of for instance bundling of products, connecting to the other party or product replacement. |
| Customers actively working against integration | Customers objecting integration through for instance searching allies among the acquired parties. |

The first two (i-ii) meant restricting integration from the M&A parties’ perspective, the last two (iv-v) refer to how customers as actors affect integration realisation, and the middle alternative (iii), independence being argued through customers, may include both M&A parties (the acquired party) and customers. Table 5 relates the five categories to actors; the acquirer, the acquired party and customers.

TABLE 5 CATEGORIES RELATED TO ACTORS

| | Actor | Acquirer | Acquired party | Customer |
|-------------------------|-------|--|--|--|
| When | | | | |
| Motive | | Customers limiting integration intents | | |
| Integration intents | | Pre-integration reconsiderations | | |
| Integration realisation | | | Integration realisation being argued through customers (Customers actively working against integration) | Customers not acting according to integration intentions Customers actively working against integration |

As shown by Table 5, while customers play a role in each of the categories, they do so either based on their actions, or based on beliefs about customers. Beliefs mean that a party chooses to act in a certain way as the party thinks this is for the best for the customer relationship. In some instances customers act together with the M&A party the customer had relationships with prior to the M&A.

Concluding discussion

What does this tell about customers’ role in M&A integration? It seems integration is built on beliefs about customers, customer actions impacting realisation and customers co-acting with parties they had an ongoing relationship with at the time of the acquisition. This could be summarised as integration realisation being the result of *beliefs*, *actions* and *mutuality*.

Beliefs

Beliefs indicate that one party *expects* certain acts by the other party. This resulted in M&A parties resisting closer integration or reconsidering initial M&A integration intents. Beliefs describe the acquirer’s expectations on customers and appear in customers limiting integration intents and pre-integration reconsiderations. Beliefs are also what the acquired parties try to create when arguing independence.

Actions

Actions mean that whereas M&A parties tried to integrate, customers’ actions impacted integration realisation. Actions include non-actions and thus target how one party acts (or non-acts) in compliance or divergent from another party’s intents. The examples provided above all indicated that such actions led to M&A parties’ integration not being fully realised. In certain relationships, customers would start acting in compliance with M&A parties’ integration strategies, but other customers would not act accordingly.

Mutuality

Mutuality means that M&A parties and customers acted together and that this in turn resulted in whether and how integration was realised. The examples provided indicated that this happened when customers and the acquired party wanted to continue as previously. While one party may have initiated this, customers and acquired parties acted together.

Table 6 connects beliefs, actions and mutuality to actors and the five categories on customers’ roles in integration.

TABLE 6 BELIEFS, ACTIONS AND MUTUALITY CONNECTED TO ACTORS AND CATEGORIES

| Category \ Actor | Acquirer | Acquired party | Customer |
|--|----------------|--------------------------|----------------|
| Customers limiting integration intents | <i>Beliefs</i> | | |
| Pre-integration reconsiderations | | | |
| Independence being argued through customers | | <i>Actions/Mutuality</i> | |
| Customers not acting according to integration intentions | | | <i>Actions</i> |
| Customers actively working against integration | | <i>Mutuality/Actions</i> | |

While previous research on M&As and networks have focused on how M&As as a whole impact or are impacted by business relationships, this paper shows that business relationships are considered, and affect, the process of an M&A. It further shows that M&A parties consider customers in their integration intentions and that M&As do not merely drive actions and reactions, but that M&A parties and customers may act together affecting integration realisation.

M&As as triggers, M&As as response... – On causality

Previous research on M&As according to the network approach has focused on M&As as trigger to change, and (less frequently) M&As as response to change. This implies that an M&A is either a cause (trigger) of an effect (response) of change. But, what do beliefs, actions and mutuality say about causality? What is a cause and what is an effect? Hume (1992) devoted considerable efforts on discussing causality, and concluded that only causes and effects can be observed, while causality was not observable. For Hume, cause-and-effects describe one thing (cause) happening before another (effect), where these occur close in time and where the cause always seems to be followed by the effect, but effects need not necessarily be preceded by the cause. Mackie (1974) researched causality and concluded that causes alone did not explain effects, while, for instance, Granger (1969) attempted at making causality empirically testable through measuring the time delay between causes and effects.

While a single cause may not alone explain an effect, much literature seems to suggest that the succession in time decides what is cause and what is effect. This would mean that if an M&A is preceded by, for instance, customers internationalising their businesses, the M&A would be an effect, while if M&As are followed by customers’ actions, the M&A would be the cause and customer actions the effects. But what if what could be seen as a cause is preceded by beliefs on how the other party will act? Or what if parties interact rather than act and react following an M&A?

While most research on M&As have implied that M&As trigger changes, it seems that in integration it is more difficult to actually say that integration triggers changes or reactions. If using the description of cause-and-effects of Hume (1992), it is only *actions* that fulfil the prerequisite of integration preceding customers’ actions (this also seems to be what is expected by Granger (1969) and Mackie (1974)), and this is only so when customers are not acting in accordance with M&A parties’ intents, while customers actively objecting integration may precede integration. What becomes apparent is that as individual customers act differently the prerequisite of cause always being followed by effect does not apply. If only actions are studied, *beliefs* on the other party’s activities would not be seen as causes leading to integration actions. Equally mutuality makes cause-and-effects less clear; although integration strategies may trigger acquired parties and customers to object integration, these parties may well start working against integration before it is realised.

Managerial implications

This paper shows that customers impact integration realisation in different ways. When planning integration of companies, it would be important to consider whether and how integration could really be realised given intentions related to customers. It would further be important to analyse what beliefs about customers that steer integration intentions and whether these intentions comply with how customers will actually act. F

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